

Main drivers behind the development of the offshore fleet.

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Model

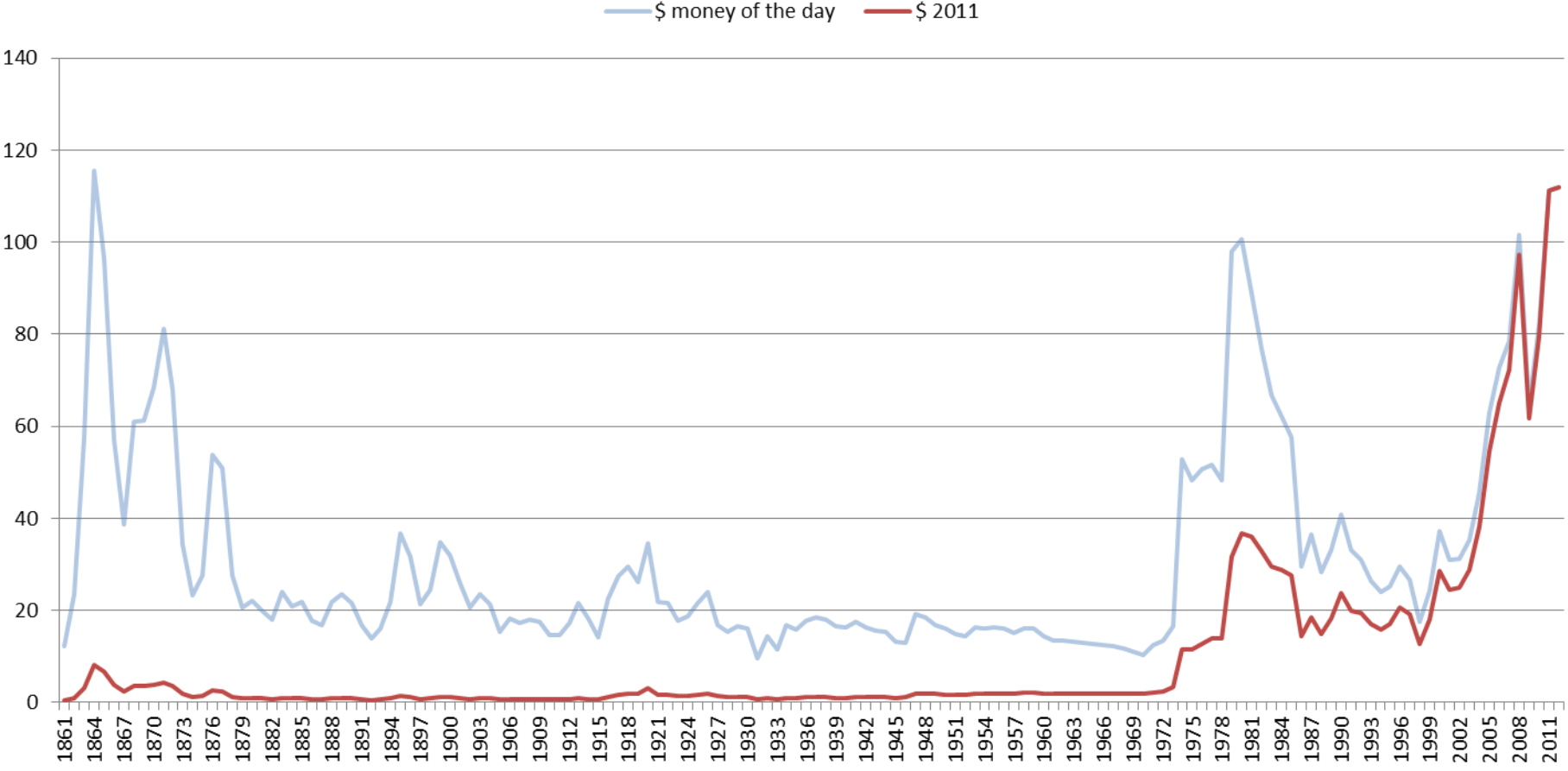


Source: DVB

Oil price

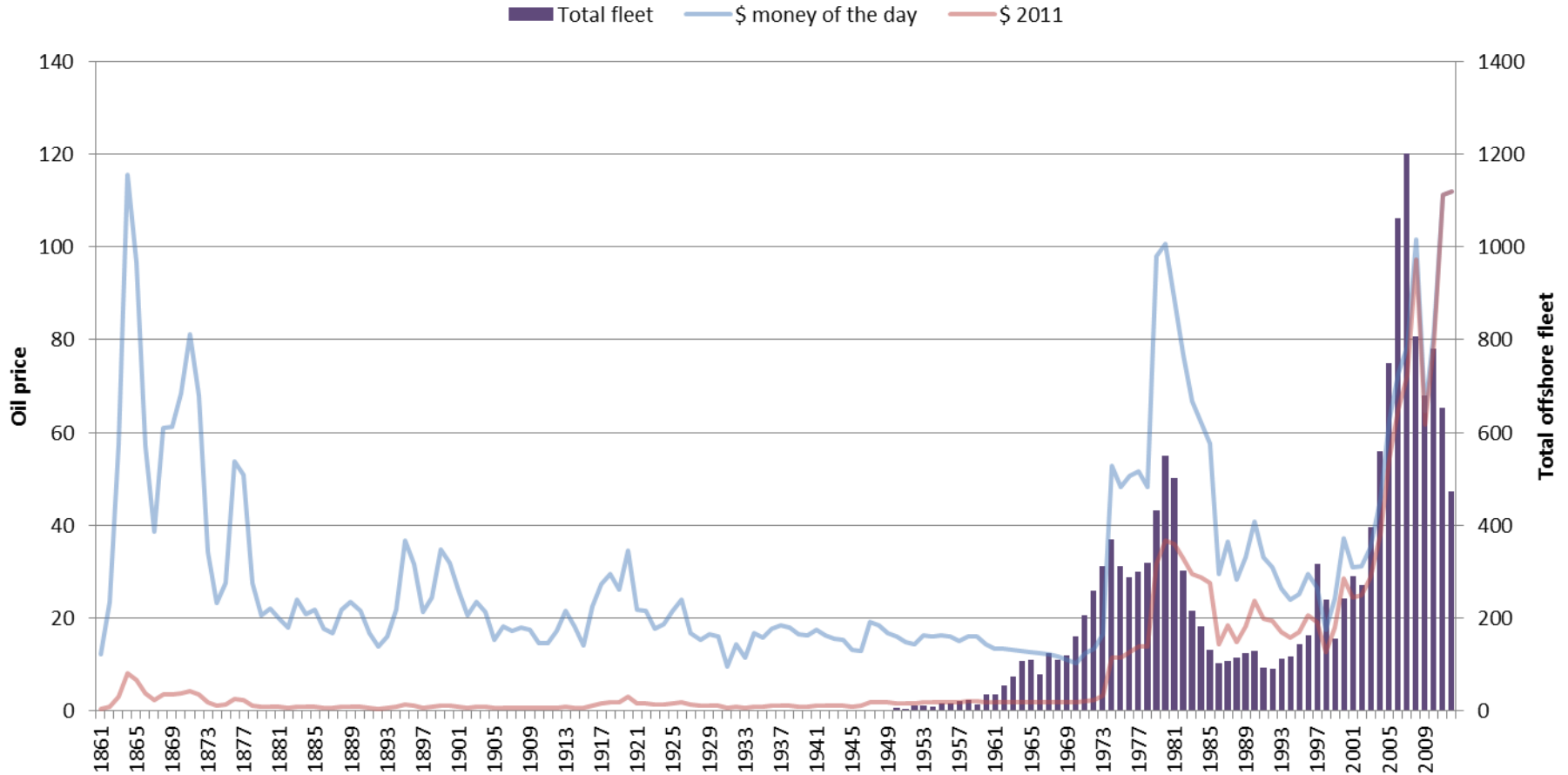
150 years of crude oil price development – the main driver

Crude oil price development , US dollars per barrel
As of March 2013 - BP



Oil price development and fleet growth

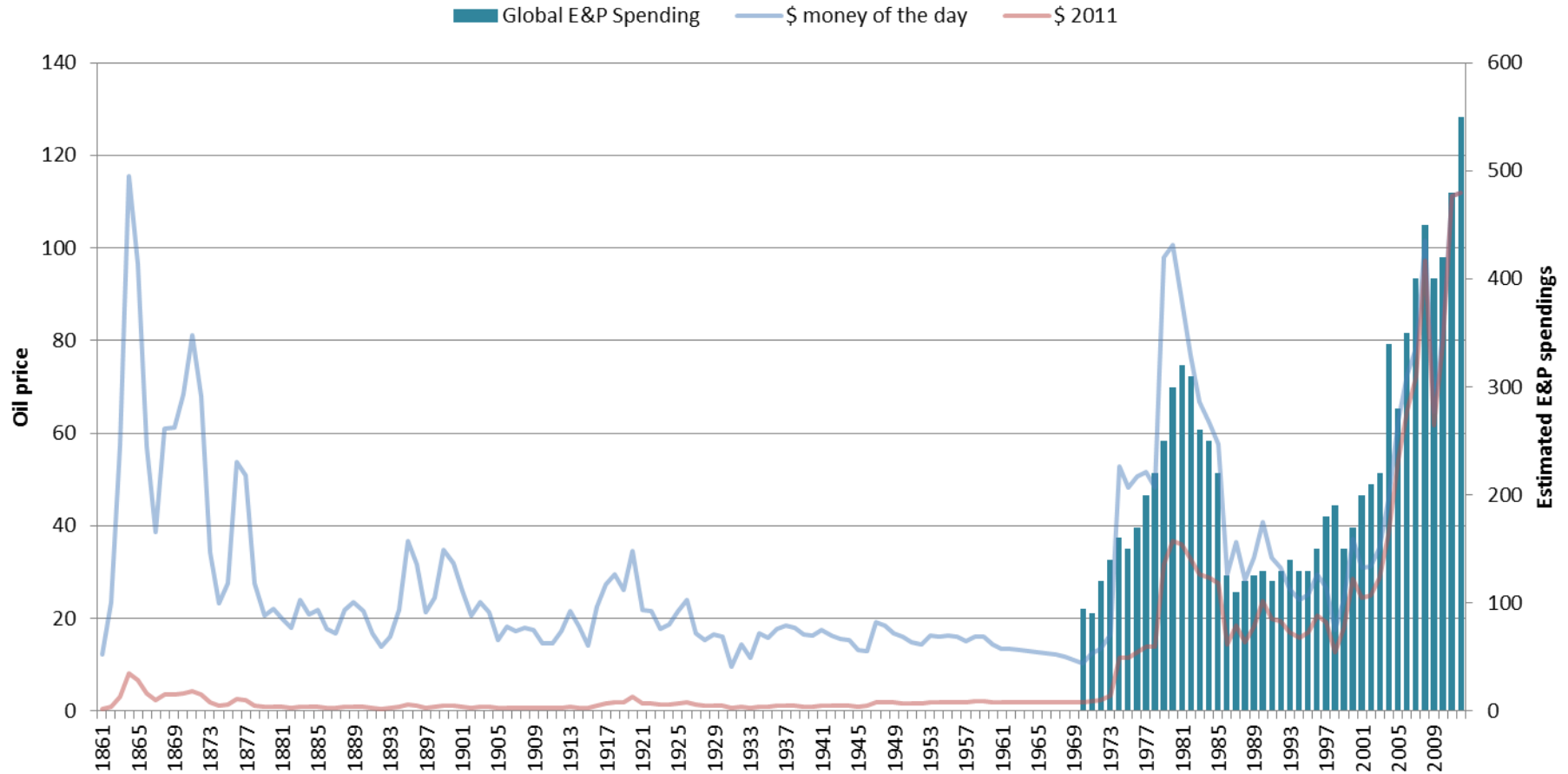
Crude oil price development and offshore fleet growth, US dollars per barrel and number of units
As of March 2013 - BP and Clarkson



E&P spending's

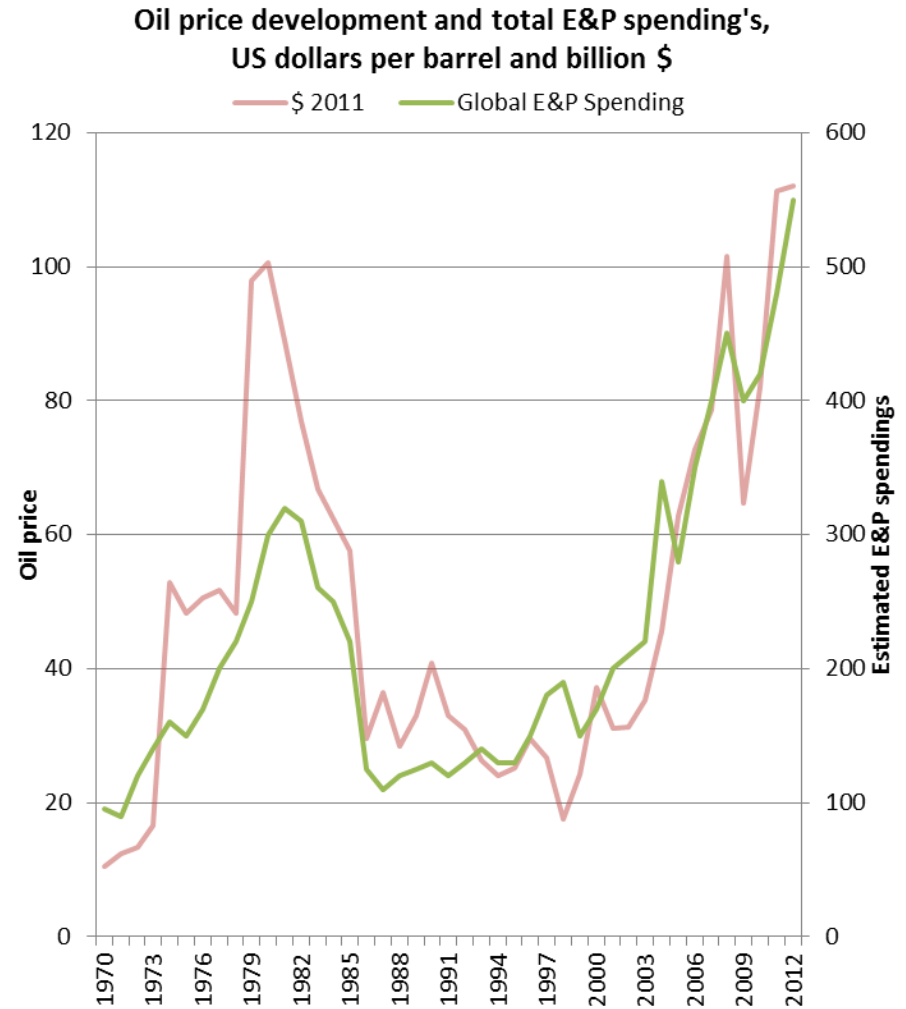
Oil price development and E&P growth

Crude oil price development and total E&P spendings , US dollars per barrel and billion US \$
As of March 2013 - BP and Platou



Exploration & production spending's

- Second main driver.
- Strong correlation with the oil price.
- Oil price normally lead E&P with one year.
- Offshore E&P goes to the oil service companies.
- Offshore E&P has grown about 40% since 2009.
- Deep water E&P has seen even stronger growth.

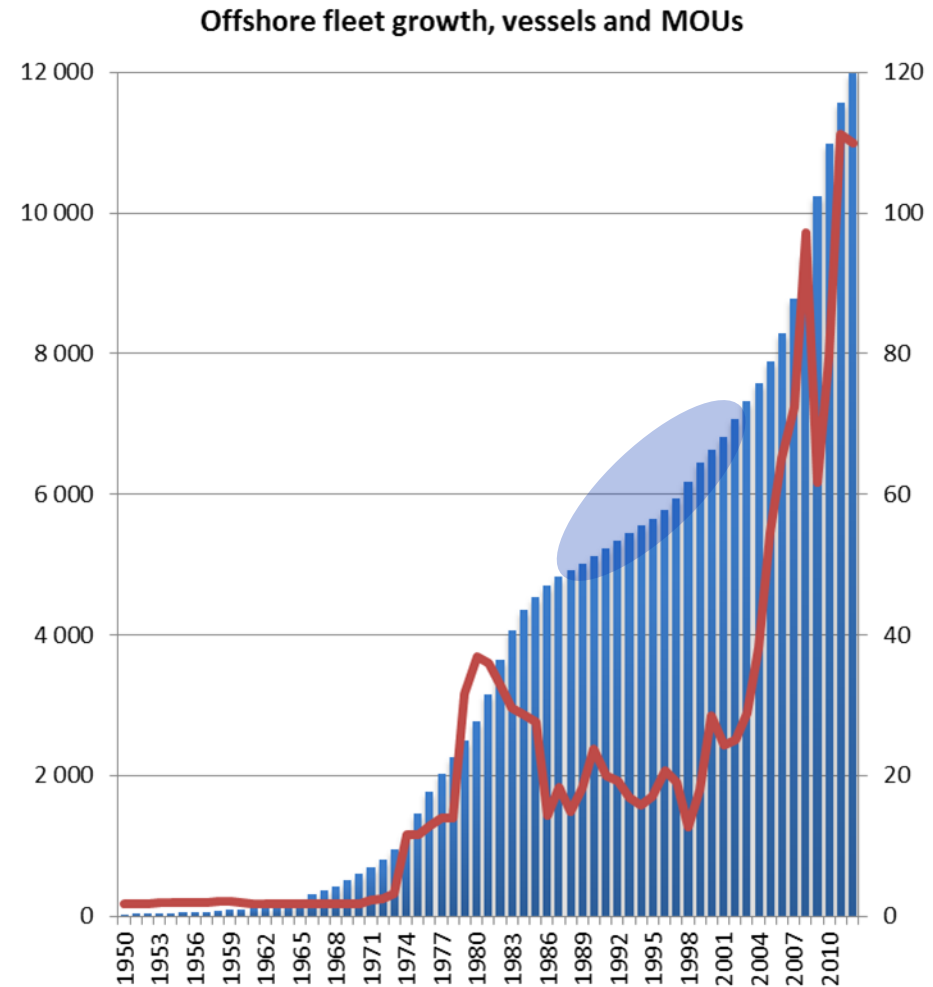


Source: Platou and BP

Some influencing factors

Lack of investment 1990-2000

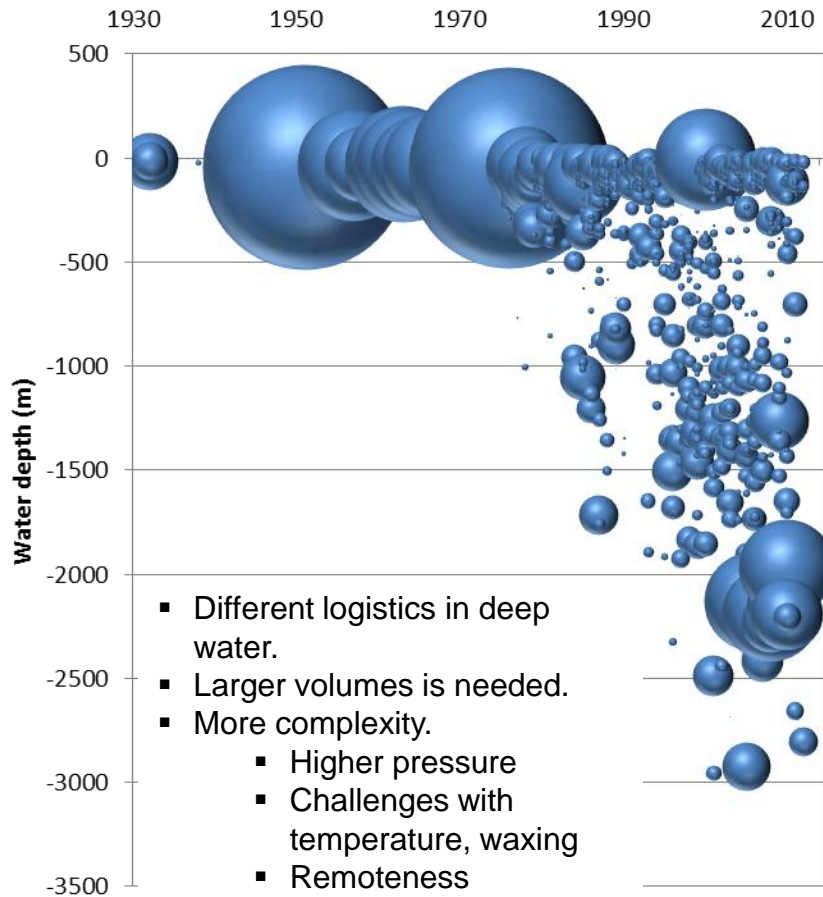
- Lack of investments between 1990-2000 was a strong driver behind the new building program starting in the middle of the 2000s.
- The rig fleet was out-dated and not capable to meet the demand for deep water wells.
- 2004-05 companies like Skeie and Seadrill started to order rigs on speculation.



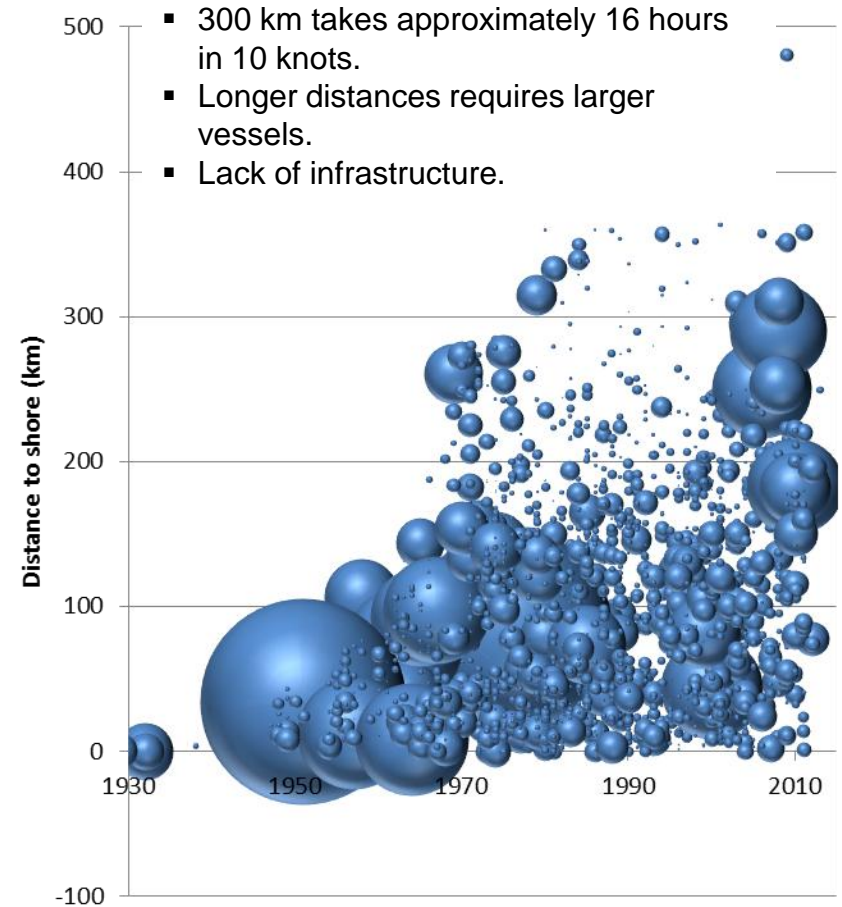
Source: Clarkson

Deeper and more remote discoveries

Offshore oil discoveries by size and water depth, mmbbl

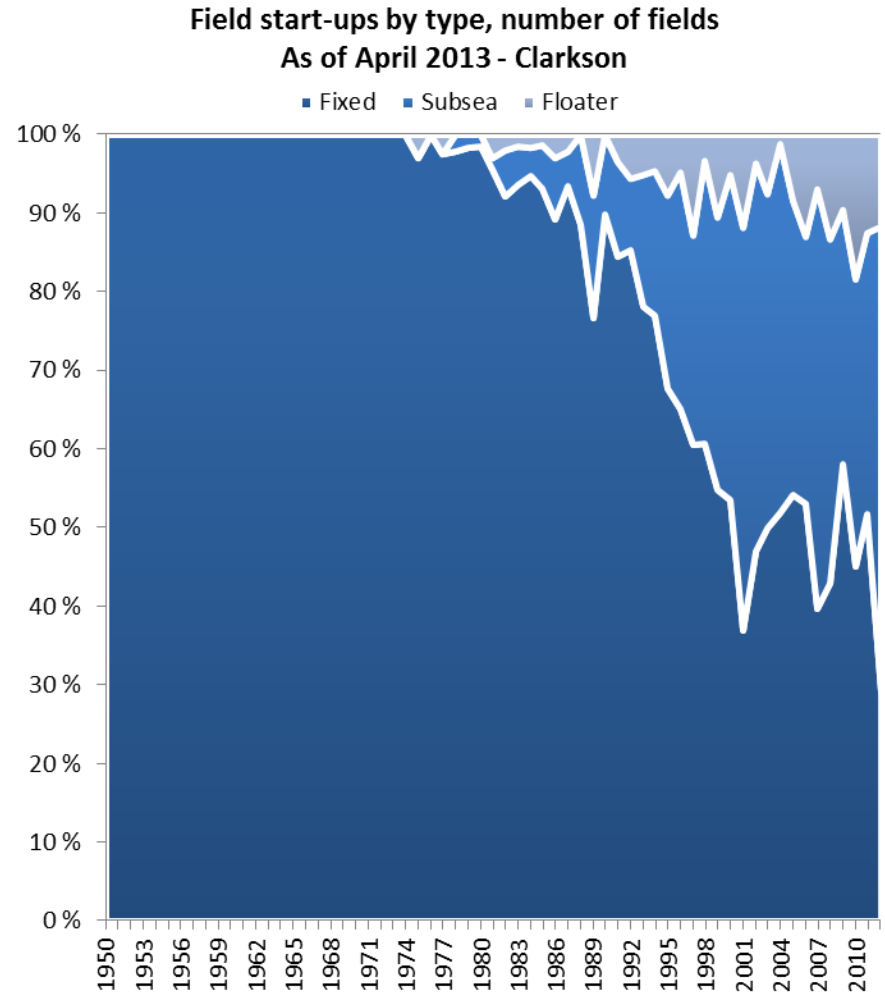


Offshore oil discoveries by size and distance to shore, mmbbl



Change in field development

- More subsea.
- Low oil price in the 1990s and a need for cheap field development triggered the subsea development.
- New subsea technology has made the industry even stronger.
- Shallow water and huge fields were developed with fixed platforms in North Sea and GoM in the beginning of the offshore history.
- High oil prices from 2005 led to marginal field development with subsea installations.



Example of other drivers

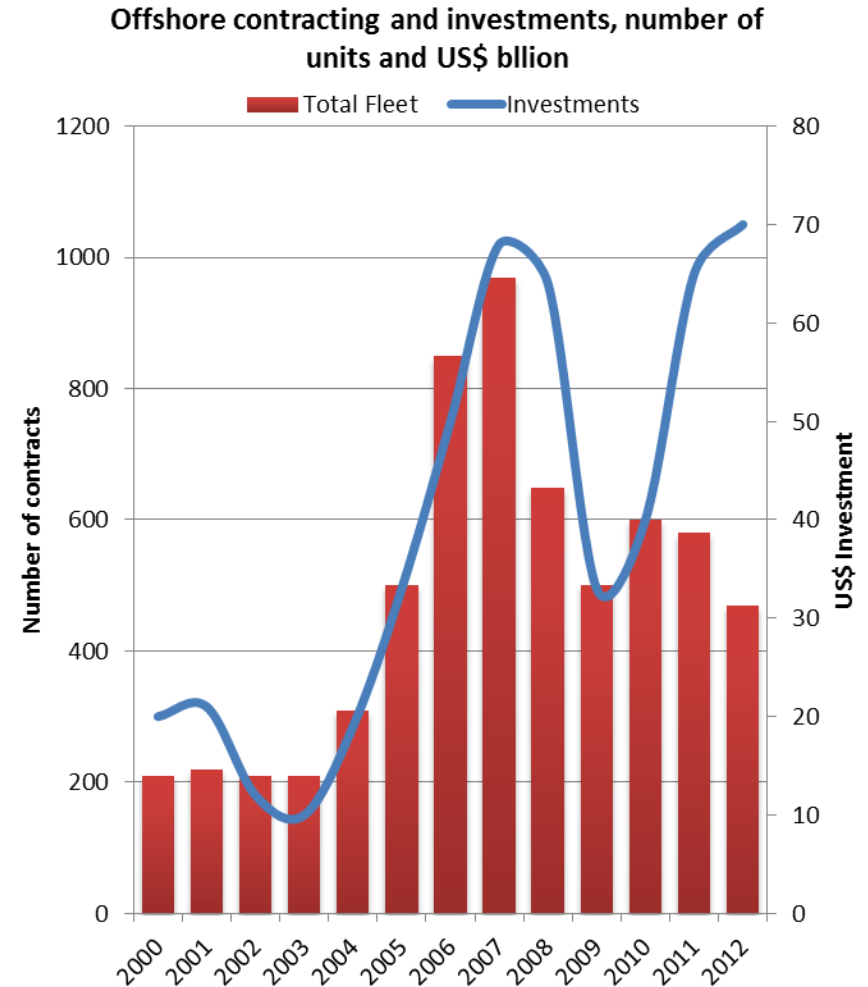
- Increased safety requirements.
 - The Macondo accident was a changer.
- New technology in all parts of the industry.
 - Deeper drilling, more complex reservoirs developed, increased recovery rates etc.
- Greater efficiency and predictability required.
 - Transocean Discover Enterprise with dual derrick.



New demand

Historical contracting and investment – more expensive units

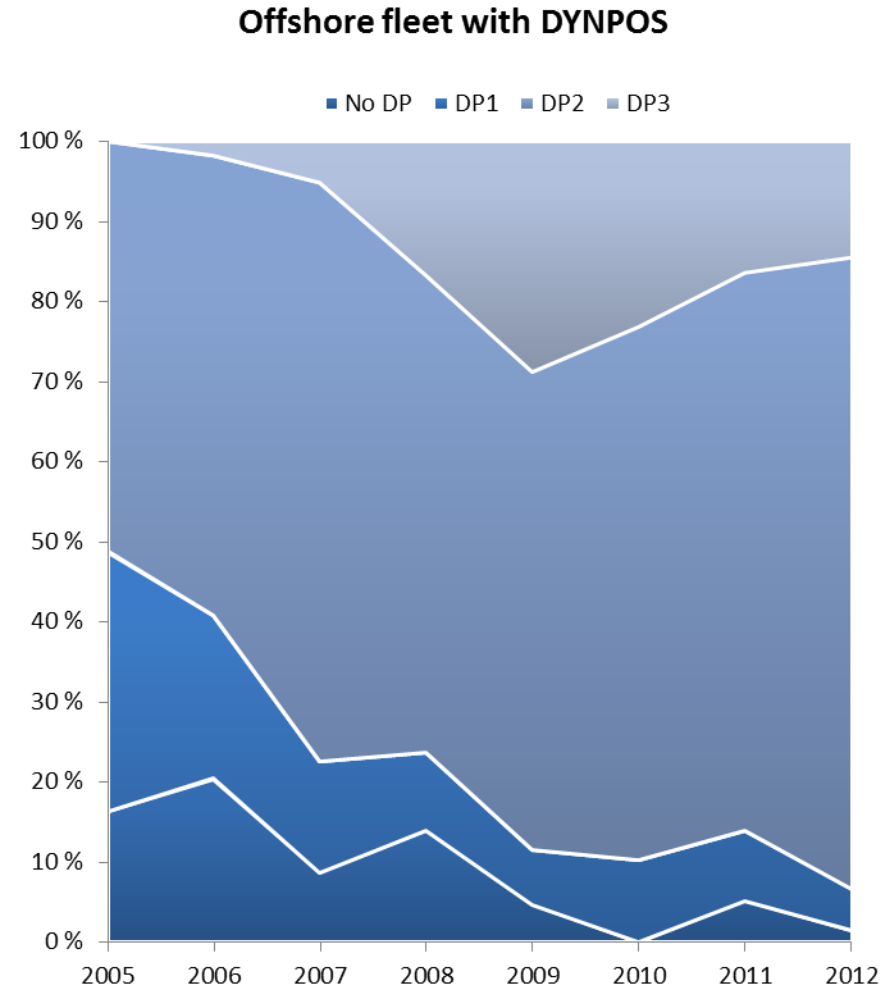
- Larger, more complex, more sophisticated and more expensive units on order.
- The last years contracting shift away from high volume, low value support sector (AHTS & PSV) towards low volume, high value MDU / MPU sector.
- High share of drill ships contacts in 2011-12.



Source: Clarkson

DYNPOS development by DNV offshore units

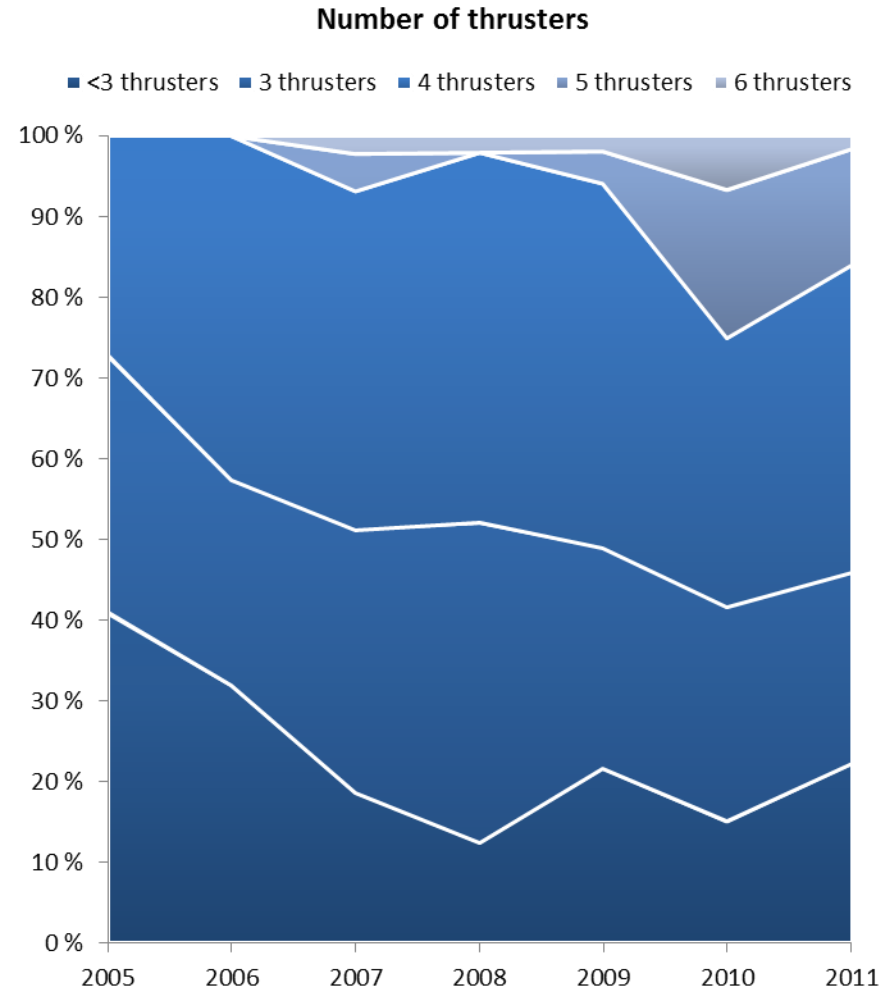
- “No room for accidents”.
- Strong growth in the DP2
- DP2 or more is often required to win contracts.
- Vessels with DP1 or less has often a different business model.
- Regions with the most complex vessels:
 - North Sea
 - Australia
 - Brazil



Source: DNV

Number of thrusters by DNV classed PSVs

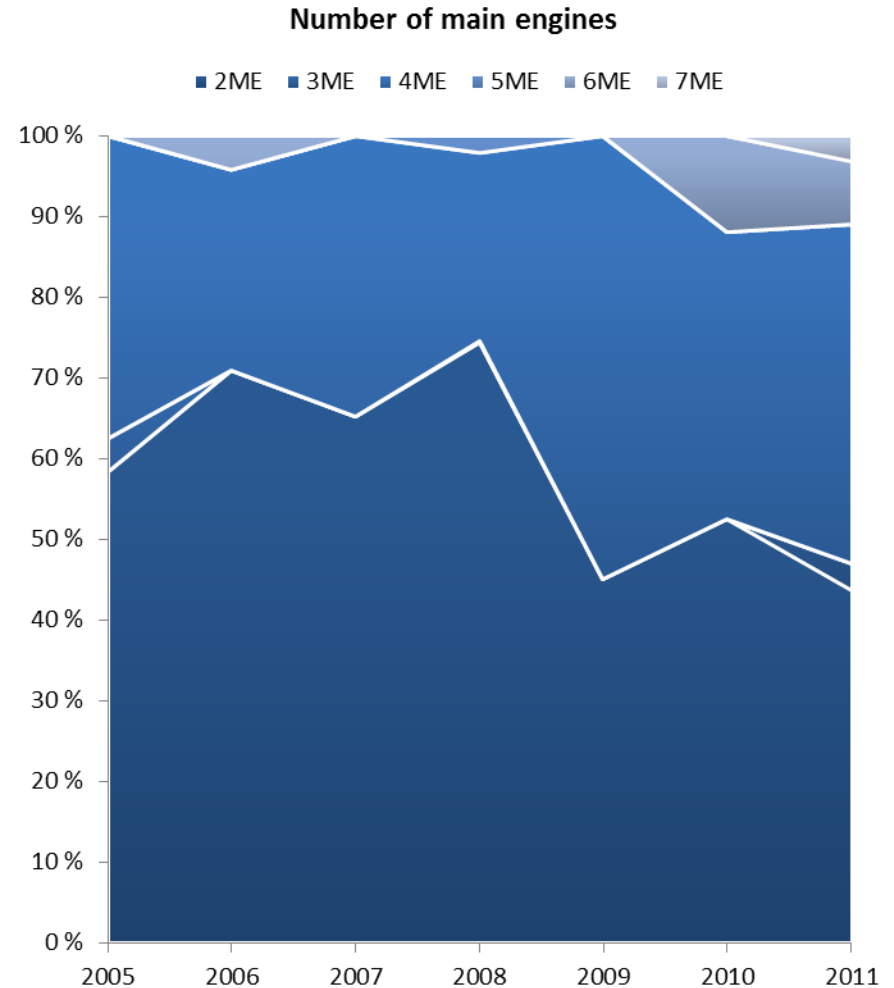
- Clear trend towards more components
- More efficient and safer operation is required.



Source: DNV

Number of engines by DNV classed PSVs

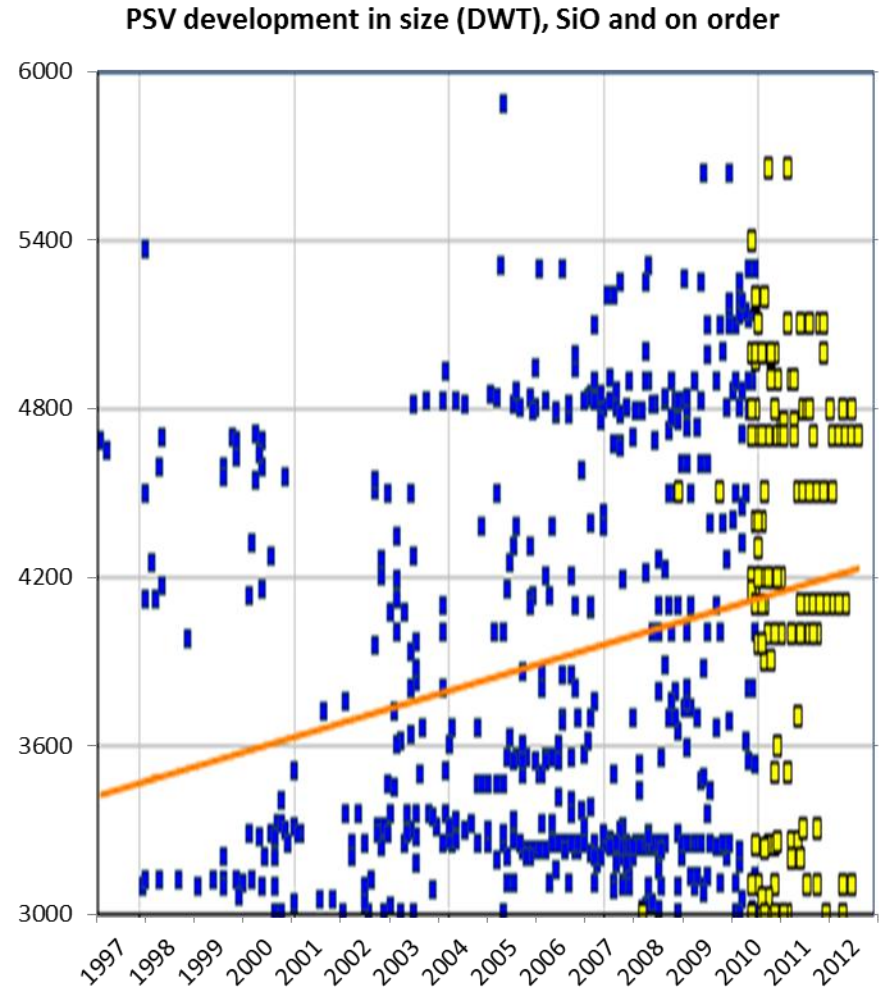
- Trend toward more engines
- More electric drive or hybrids
- Different use requires different systems
- Main driver is the fuel efficiency



Source: DNV

Development in size by DNV classes PSVs

- Larger vessels is required.
- Can better reach remote locations.
- Deeper and larger fields involves more goods.

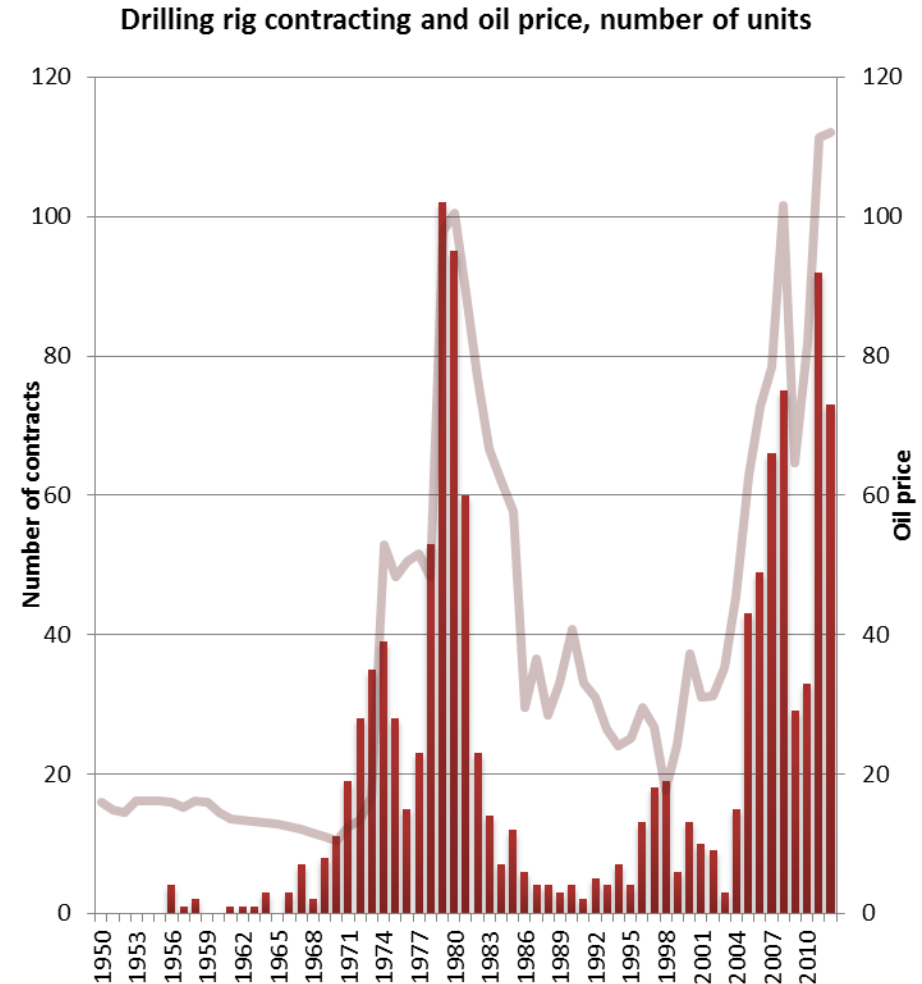


Source: DNV

Rig demand

Rig market development – low volume, but high value.

- Increased E&P spending's pushes up utilization rates and rig demand.
- Rising oil prices increases the viability of exploration in deeper waters.
- New demand makes old units out of date.
- In the 1980s mainly jack-ups ordered, built in the west. In 2000s more drill ships and semi subs, built in the east.
- High value ordering of floaters started in the 2004-05.

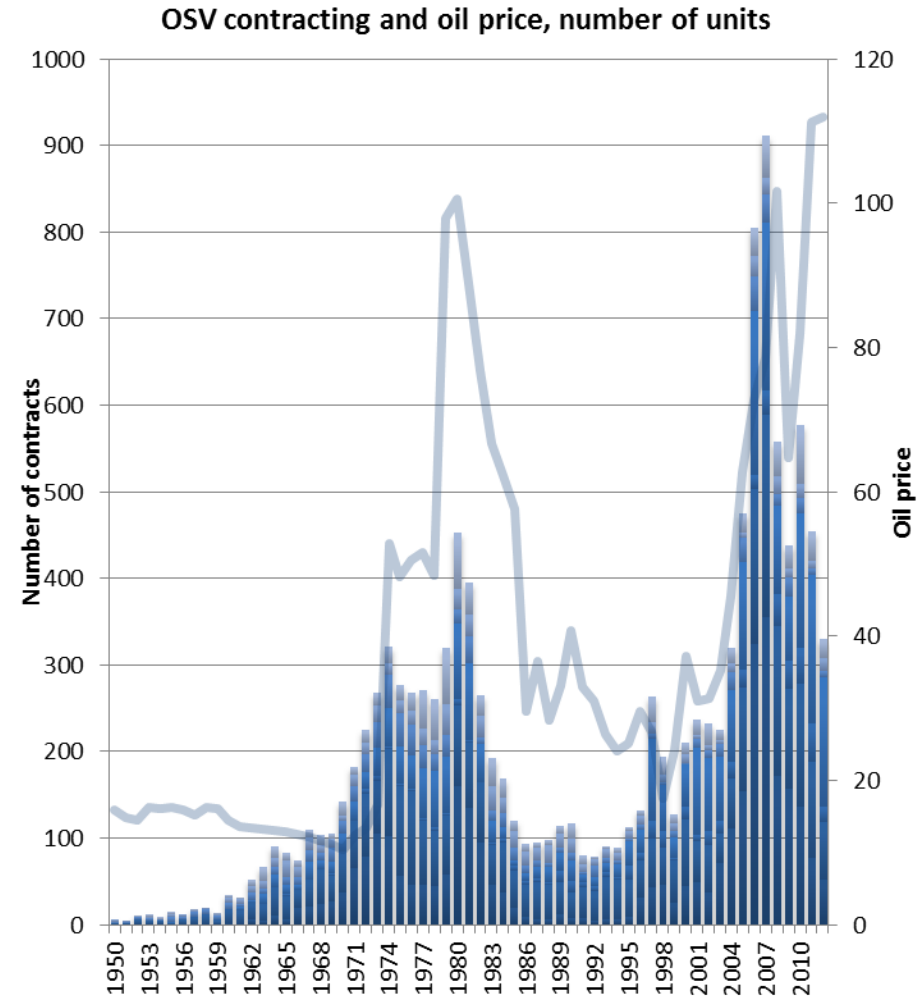


Source: Clarkson

OSV demand

OSV market development – high volume.

- High activity in the rig market drives demand for support vessels.
- Segments like the construction units is often seen as a late cyclical play.
- Not as commoditized as shipping.
- Still high demand- and utilization rates in the high end segments. Signs of over supply in some segments for the low end units. Mainly due to high level of contracting and stronger demand for modern units.



Source: Clarkson

Conclusion

Summary

- Oil price and E&P spending's are the main drivers behind the offshore industry.
- Lack of investments between 1990-2000 demanded new drilling units in the mid 2000s.
- Deeper waters, more remote fields, stronger focus on safety and efficiency has created a demand for larger and more complex units.
- The mobile drilling fleet have had historically strong growth in numbers- and value of contracts.
- OSV fleet show signs of over supply in some segments, but the high end units sees in general strong demand. Segment like construction units is often seen as a late cyclical play.

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